

FRIENDSHIP AND COOPERATION

Treaty signed at Washington March 2, 1936, with exchanges of notes at Washington March 2, 1936, and February 1 and July 25, 1939

Ratified by Panama July 17, 1939

Senate advice and consent to ratification July 25, 1939

Ratified by the President of the United States July 26, 1939

Ratifications exchanged at Washington July 27, 1939

Entered into force July 27, 1939

Proclaimed by the President of the United States July 27, 1939

Amended by convention of May 24, 1950,¹ and treaty of January 25, 1955²

53 Stat. 1807; Treaty Series 945

TREATY

The United States of America and the Republic of Panama, animated by the desire to strengthen further the bonds of friendship and cooperation between the two countries and to regulate on a stable and mutually satisfactory basis certain questions which have arisen as a result of the construction of the interoceanic canal across the Isthmus of Panama, have decided to conclude a treaty, and have designated for this purpose as their Plenipotentiaries:

The President of the United States of America:

Mr. Cordell Hull, Secretary of State of the United States of America, and Mr. Sumner Welles, Assistant Secretary of State of the United States of America; and

The President of the Republic of Panama:

The Honorable Doctor Ricardo J. Alfaro, Envoy Extraordinary and Minister Plenipotentiary of Panama to the United States of America, and The Honorable Doctor Narciso Garay, Envoy Extraordinary and Minister Plenipotentiary of Panama on special mission;

¹ 6 UST 461; TIAS 3180.

² 6 UST 2273; TIAS 3297.

Who, having communicated their respective full powers to each other, which have been found to be in good and due form, have agreed upon the following:

ARTICLE I

Article I of the Convention of November 18, 1903,³ is hereby superseded.

There shall be a perfect, firm and inviolable peace and sincere friendship between the United States of America and the Republic of Panama and between their citizens.

In view of the official and formal opening of the Panama Canal on July 12, 1920, the United States of America and the Republic of Panama declare that the provisions of the Convention of November 18, 1903, contemplate the use, occupation and control by the United States of America of the Canal Zone and of the additional lands and waters under the jurisdiction of the United States of America for the purposes of the efficient maintenance, operation, sanitation and protection of the Canal and of its auxiliary works.

The United States of America will continue the maintenance of the Panama Canal for the encouragement and use of interoceanic commerce, and the two Governments declare their willingness to cooperate, as far as it is feasible for them to do so, for the purpose of insuring the full and perpetual enjoyment of the benefits of all kinds which the Canal should afford the two nations that made possible its construction as well as all nations interested in world trade.

ARTICLE II

The United States of America declares that the Republic of Panama has loyally and satisfactorily complied with the obligations which it entered into under Article II of the Convention of November 18, 1903, by which it granted in perpetuity to the United States the use, occupation and control of the zone of land and land under water as described in the said Article, of the islands within the limits of said zone, of the group of small islands in the Bay of Panama, named Perico, Naos, Culebra and Flamenco, and of any other lands and waters outside of said zone necessary and convenient for the construction, maintenance, operation, sanitation and protection of the Panama Canal or of any auxiliary canals or other works, and in recognition thereof the United States of America hereby renounces the grant made to it in perpetuity by the Republic of Panama of the use, occupation and control of lands and waters, in addition to those now under the jurisdiction of the United States of America outside of the zone as described in Article II of the aforesaid Convention, which may be necessary and convenient for the construction, maintenance, operation, sanitation and protection of the Panama Canal or of any auxiliary canals or other works necessary and convenient for

³ TS 431, *ante*, p. 663.

the construction, maintenance, operation, sanitation and protection of the said enterprise.

While both Governments agree that the requirement of further lands and waters for the enlargement of the existing facilities of the Canal appears to be improbable, they nevertheless recognize subject to the provisions of Articles I and X of this Treaty, their joint obligation to insure the effective and continuous operation of the Canal and the preservation of its neutrality, and consequently, if, in the event of some now unforeseen contingency, the utilization of lands or waters additional to those already employed should be in fact necessary for the maintenance, sanitation or efficient operation of the Canal, or for its effective protection, the Governments of the United States of America and the Republic of Panama will agree upon such measures as it may be necessary to take in order to insure the maintenance, sanitation, efficient operation and effective protection of the Canal, in which the two countries are jointly and vitally interested.

ARTICLE III

In order to enable the Republic of Panama to take advantage of the commercial opportunities inherent in its geographical situation, the United States of America agrees as follows:

1) The sale to individuals of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America shall be limited by it to the persons included in classes (a) and (b) of Section 2 of this Article; and with regard to the persons included in classes (c), (d) and (e) of the said Section and members of their families, the sales above mentioned shall be made only when such persons actually reside in the Canal Zone.

2) No person who is not comprised within the following classes shall be entitled to reside within the Canal Zone:

(a) Officers, employees, workmen or laborers in the service or employ of the United States of America, the Panama Canal or the Panama Railroad Company, and members of their families actually residing with them;

(b) Members of the armed forces of the United States of America and members of their families actually residing with them;

(c) Contractors operating in the Canal Zone and their employees, workmen and laborers during the performance of contracts;

(d) Officers, employees or workmen of companies entitled under Section 5 of this Article to conduct operations in the Canal Zone;

(e) Persons engaged in religious, welfare, charitable, educational, recreational and scientific work exclusively in the Canal Zone;

(f) Domestic servants of all the beforementioned persons and members of the families of the persons in classes (c), (d) and (e) actually residing with them.

3) No dwellings belonging to the Government of the United States of America or to the Panama Railroad Company and situated within the Canal Zone shall be rented, leased or sublet except to persons within classes (a) to (e), inclusive of Section 2 hereinabove.

4) The Government of the United States of America will continue to cooperate in all proper ways with the Government of the Republic of Panama to prevent violations of the immigration and customs laws of the Republic of Panama, including the smuggling into territory under the jurisdiction of the Republic of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America.

5) With the exception of concerns having a direct relation to the operation, maintenance, sanitation or protection of the Canal, such as those engaged in the operation of cables, shipping, or dealing in oil or fuel, the Government of the United States of America will not permit the establishment in the Canal Zone of private business enterprises other than those existing therein at the time of the signature of this Treaty.

6) In view of the proximity of the port of Balboa to the city of Panamá and of the port of Cristobal to the city of Colón, the United States of America will continue to permit, under suitable regulations and upon the payment of proper charges, vessels entering at or clearing from the ports of the Canal Zone to use and enjoy the dockage and other facilities of the said ports for the purpose of loading and unloading cargoes and receiving or disembarking passengers to or from the territory under the jurisdiction of the Republic of Panama.

The Republic of Panama will permit vessels entering at or clearing from the ports of Panamá or Colón, in case of emergency and also under suitable regulations and upon the payment of proper charges, to use and enjoy the dockage and other facilities of said ports for the purpose of receiving or disembarking passengers to or from the territory of the Republic of Panama under the jurisdiction of the United States of America, and of loading and unloading cargoes either in transit or destined for the service of the Canal or of works pertaining to the Canal.

7) The Government of the United States of America will extend to private merchants residing in the Republic of Panama full opportunity for making sales to vessels arriving at terminal ports of the Canal or transiting the Canal, subject always to appropriate administrative regulations of the Canal Zone.

ARTICLE IV

The Government of the Republic of Panama shall not impose import duties or taxes of any kind on goods destined for or consigned to the agencies of the Government of the United States of America in the Republic of Panama when the goods are intended for the official use of such agencies, or upon goods destined for or consigned to persons included in classes (a)

and (b) in Section 2 of Article III of this Treaty, who reside or sojourn in territory under the jurisdiction of the Republic of Panama during the performance of their service with the United States of America, the Panama Canal or the Panama Railroad Company, when the goods are intended for their own use and benefit.

The United States of America shall not impose import duties or taxes of any kind on goods, wares and merchandise passing from territory under the jurisdiction of the Republic of Panama into the Canal Zone.

No charges of any kind shall be imposed by the authorities of the United States of America upon persons residing in territory under the jurisdiction of the Republic of Panama passing from the said territory into the Canal Zone, and no charges of any kind shall be imposed by the authorities of the Republic of Panama upon persons in the service of the United States of America or residing in the Canal Zone passing from the Canal Zone into territory under the jurisdiction of the Republic of Panama, all other persons passing from the Canal Zone into territory under the jurisdiction of the Republic of Panama being subject to the full effects of the immigration laws of the Republic.

In view of the fact that the Canal Zone divides the territory under the jurisdiction of the Republic of Panama, the United States of America agrees that, subject to such police regulations as circumstances may require, Panamanian citizens who may occasionally be deported from the Canal Zone shall be assured transit through the said Zone, in order to pass from one part to another of the territory under the jurisdiction of the Republic of Panama.

ARTICLE V

Article IX of the Convention of November 18, 1903, is hereby superseded.

The Republic of Panama has the right to impose upon merchandise destined to be introduced for use or consumption in territory under the jurisdiction of the Republic of Panama, and upon vessels touching at Panamanian ports and upon the officers, crew or passengers of such vessels, the taxes or charges provided by the laws of the Republic of Panama; it being understood that the Republic of Panama will continue directly and exclusively to exercise its jurisdiction over the ports of Panamá and Colón and to operate exclusively with Panamanian personnel such facilities as are or may be established therein by the Republic or by its authority. However, the Republic of Panama shall not impose or collect any charges or taxes upon any vessel using or passing through the Canal which does not touch at a port under Panamanian jurisdiction or upon the officers, crew or passengers of such vessels, unless they enter the Republic; it being also understood that taxes and charges imposed by the Republic of Panama upon vessels using or passing through the Canal which touch at ports under Panamanian jurisdiction, or upon their cargo, officers, crew or passengers, shall not be higher

than those imposed upon vessels which touch only at ports under Panamanian jurisdiction and do not transit the Canal, or upon their cargo, officers, crew or passengers.

The Republic of Panama also has the right to determine what persons or classes of persons arriving at ports of the Canal Zone shall be admitted to the Republic of Panama and to determine likewise what persons or classes of persons arriving at such ports shall be excluded from admission to the Republic of Panama.

The United States of America will furnish to the Republic of Panama free of charge the necessary sites for the establishment of customhouses in the ports of the Canal Zone for the collection of duties on importations destined to the Republic and for the examination of merchandise, baggage and passengers consigned to or bound for the Republic of Panama, and for the prevention of contraband trade, it being understood that the collection of duties and the examination of merchandise and passengers by the agents of the Government of the Republic of Panama, in accordance with this provision, shall take place only in the customhouses to be established by the Government of the Republic of Panama as herein provided, and that the Republic of Panama will exercise exclusive jurisdiction within the sites on which the customhouses are located so far as concerns the enforcement of immigration or customs laws of the Republic of Panama, and over all property therein contained and the personnel therein employed.

To further the effective enforcement of the rights hereinbefore recognized, the Government of the United States of America agrees that, for the purpose of obtaining information useful in determining whether persons arriving at ports of the Canal Zone and destined to points within the jurisdiction of the Republic of Panama should be admitted or excluded from admission into the Republic, the immigration officers of the Republic of Panama shall have the right of free access to vessels upon their arrival at the Balboa or Cristobal piers or wharves with passengers destined for the Republic; and that the appropriate authorities of the Panama Canal will adopt such administrative regulations regarding persons entering ports of the Canal Zone and destined to points within the jurisdiction of the Republic of Panama as will facilitate the exercise by the authorities of Panama of their jurisdiction in the manner provided in Paragraph 4 of this Article for the purposes stated in Paragraph 3 thereof.

ARTICLE VI

The first sentence of Article VII of the Convention of November 18, 1903, is hereby amended so as to omit the following phrase: "or by the exercise of the right of eminent domain".

The third paragraph of article VII of the Convention of November 18, 1903, is hereby abrogated.

ARTICLE VII

Beginning with the annuity payable in 1934 the payments under Article XIV of the Convention of November 18, 1903, between the United States of America and the Republic of Panama, shall be four hundred and thirty thousand Balboas (B/430,000.00) as defined by the agreement embodied in an exchange of notes of this date. The United States of America may discharge its obligation with respect to any such payment, upon payment in any coin or currency, provided the amount so paid is the equivalent of four hundred and thirty thousand Balboas (B/430,000.00) as so defined.

ARTICLE VIII

In order that the city of Colón may enjoy direct means of land communication under Panamanian jurisdiction with other territory under jurisdiction of the Republic of Panama, the United States of America hereby transfers to the Republic of Panama jurisdiction over a corridor, the exact limits of which shall be agreed upon and demarcated by the two Governments pursuant to the following description:

(a) The end at Colón connects with the southern end of the east half of the Paseo del Centenario at Sixteenth Street, Colón; thence the corridor proceeds in a general southerly direction, parallel to and east of Bolivar Highway to the vicinity of the northern edge of Silver City; thence eastward near the shore line of Folks River, around the northeast corner of Silver City; thence in a general southeasterly direction and generally parallel to the Randolph Road to a crossing of said Randolph Road, about 1200 feet east of the East Diversion; thence in a general northeasterly direction to the eastern boundary line of the Canal Zone near the southeastern corner of the Fort Randolph Reservation, southwest of Cativá. The approximate route of the corridor is shown on the map which accompanies this Treaty, signed by the Plenipotentiaries of the two countries and marked "Exhibit A."⁴

(b) The width of the corridor shall be as follows: 25 feet in width from the Colón end to a point east of the southern line of Silver City; thence 100 feet in width to Randolph Road, except that, at any elevated crossing which may be built over Randolph Road and the railroad, the corridor will be no wider than is necessary to include the viaduct and will not include any part of Randolph Road proper, or of the railroad right of way, and except that, in case of a grade crossing over Randolph Road and the railroad, the corridor will be interrupted by that highway and railroad; thence 200 feet in width to the boundary line of the Canal Zone.

The Government of the United States of America will extinguish any private titles existing or which may exist in and to the land included in the above-described corridor.

⁴ Not printed here.

The stream and drainage crossings of any highway built in the corridor shall not restrict the water passage to less than the capacity of the existing streams and drainage.

No other construction will take place within the corridor than that relating to the construction of a highway and to the installation of electric power, telephone and telegraph lines; and the only activities which will be conducted within the said corridor will be those pertaining to the construction, maintenance and common uses of a highway and of power and communication lines.

The United States of America shall enjoy at all times the right of unimpeded transit across the said corridor at any point, and of travel along the corridor, subject to such traffic regulations as may be established by the Government of the Republic of Panama; and the Government of the United States of America shall have the right to such use of the corridor as would be involved in the construction of connecting or intersecting highways or railroads, overhead and underground power, telephone, telegraph and pipe lines, and additional drainage channels, on condition that these structures and their use shall not interfere with the purpose of the corridor as provided hereinabove.

ARTICLE IX

In order that direct means of land communication, together with accommodation for the high tension power transmission lines, may be provided under jurisdiction of the United States of America from the Madden Dam to the Canal Zone, the Republic of Panama hereby transfers to the United States of America jurisdiction over a corridor, the limits of which shall be demarcated by the two Governments pursuant to the following descriptions:

A strip of land 200 ft. in width, extending 62.5 ft. from the center line of the Madden Road on its eastern boundary and 137.5 ft. from the center line of the Madden Road on its western boundary; containing an area of 105.8 acres or 42.81 hectares, as shown on the map which accompanies this Treaty, signed by the Plenipotentiaries of the two countries and marked "Exhibit B".⁵

Beginning at the intersection of the located center line of the Madden Road and the Canal Zone—Republic of Panama 5-mile boundary line, said point being located N. 29°20' W. a distance of 168.04 ft. along said boundary line from boundary monument No. 65, the geodetic position of boundary monument No. 65 being latitude N. 9°07' plus 3,948.8 ft. and longitude 79°37' plus 1,174.6 ft.;

thence N. 43°10' E. a distance of 541.1 ft. to station 324 plus 06.65 ft.;

thence on a 3° curve to the left, a distance of 347.2 ft. to station 327 plus 53.9 ft.;

thence N. 32°45' E. a distance of 656.8 ft. to station 334 plus 10.7 ft.;

⁵ Not printed here.

thence on a 3° curve to the left a distance of 455.55 ft. to station 338 plus 66.25 ft.;
thence N. $19^\circ 05'$ E. a distance of 1,135.70 ft. to station 350 plus 01.95 ft.;
thence on an 8° curve to the left a distance of 650.7 ft. to station 356 plus 52.7 ft.;
thence N. $32^\circ 58'$ W. a distance of 636.0 ft. to station 362 plus 88.7 ft.;
thence on a 10° curve to the right a distance of 227.3 ft. to station 365 plus 16.0 ft.;
thence N. $10^\circ 14'$ W. a distance of 314.5 ft. to station 368 plus 30.5 ft.;
thence on a 5° curve to the left a distance of 178.7 ft. to station 370 plus 09.2 ft.;
thence N. $19^\circ 10'$ W. a distance of 4,250.1 ft. to station 412 plus 59.3 ft.;
thence on a 5° curve to the right a distance of 720.7 ft. to station 419 plus 80.0 ft.;
thence N. $16^\circ 52'$ E. a distance of 1,664.3 ft. to station 436 plus 44.3 ft.;
thence on a 5° curve to the left a distance of 597.7 ft. to station 442 plus 42.0 ft.;
thence N. $13^\circ 01'$ W. a distance of 543.8 ft. to station 447 plus 85.8 ft.;
thence on a 5° curve to the right a distance of 770.7 ft. to station 455 plus 56.5 ft.;
thence N. $25^\circ 31'$ E. a distance of 1,492.2 ft. to station 470 plus 48.7 ft.;
thence on a 5° curve to the right a distance of 808.0 ft. to station 478 plus 56.7 ft.;
thence N. $65^\circ 55'$ E. a distance of 281.8 ft. to station 481 plus 38.5 ft.;
thence on an 8° curve to the left a distance of 446.4 ft. to station 485 plus 84.9 ft.;
thence N. $30^\circ 12'$ E. a distance of 479.6 ft. to station 490 plus 64.5 ft.;
thence on a 5° curve to the left a distance of 329.4 ft. to station 493 plus 93.9 ft.;
thence N. $13^\circ 44'$ E. a distance of 1,639.9 ft. to station 510 plus 33.8 ft.;
thence on a 5° curve to the left a distance of 832.3 ft. to station 518 plus 66.1 ft.;
thence N. $27^\circ 53'$ W. a distance of 483.9 ft. to station 523 plus 50.0 ft.;
thence on an 8° curve to the right a distance of 469.6 ft. to station 528 plus 19.6 ft.;
thence N. $9^\circ 41'$ E. a distance of 1,697.6 ft. to station 545 plus 17.2 ft.;
thence on a 10° curve to the left a distance of 451.7 ft. to station 549 plus 68.9 ft., which is the point marked Point Z on the above-mentioned map known as "Exhibit B".

(All bearings are true bearings.)

The Government of the Republic of Panama will extinguish any private titles existing or which may exist in and to the land included in the above-described corridor.

The stream and drainage crossings of any highway built in the corridor shall not restrict the water passage to less than the capacity of the existing streams and drainage.

No other construction will take place within the corridor than that relating to the construction of a highway and to the installation of electric power, telephone and telegraph lines; and the only activities which will be conducted within the said corridor will be those pertaining to the construction, maintenance and common uses of a highway, and of power and communication lines, and auxiliary works thereof.

The Republic of Panama shall enjoy at all times the right of unimpeded transit across the said corridor at any point, and of travel along the corridor, subject to such traffic regulations as may be established by the authorities of the Panama Canal; and the Government of the Republic of Panama shall have the right to such use of the corridor as would be involved in the construction of connecting or intersecting highways or railroads, overhead and underground power, telephone, telegraph and pipe lines, and additional drainage channels, on condition that these structures and their use shall not interfere with the purpose of the corridor as provided hereinabove.

ARTICLE X

In case of an international conflagration or the existence of any threat of aggression which would endanger the security of the Republic of Panama or the neutrality or security of the Panama Canal, the Governments of the United States of America and the Republic of Panama will take such measures of prevention and defense as they may consider necessary for the protection of their common interests. Any measures, in safeguarding such interests, which shall appear essential to one Government to take, and which may affect the territory under the jurisdiction of the other Government, will be the subject of consultation between the two Governments.

ARTICLE XI

The provisions of this Treaty shall not affect the rights and obligations of either of the two High Contracting Parties under the treaties now in force between the two countries, nor be considered as a limitation, definition, restriction or restrictive interpretation of such rights and obligations, but without prejudice to the full force and effect of any provisions of this Treaty which constitute addition to, modification or abrogation of, or substitution for the provisions of previous treaties.

ARTICLE XII

The present Treaty shall be ratified in accordance with the constitutional methods of the High Contracting Parties and shall take effect immediately on the exchange of ratifications which shall take place at Washington.

IN WITNESS WHEREOF, the Plenipotentiaries have signed this Treaty in duplicate, in the English and Spanish languages, both texts being authentic, and have hereunto affixed their seals.

DONE at the city of Washington the second day of March, 1936.

CORDELL HULL	[SEAL]
SUMNER WELLES	[SEAL]
R. J. ALFARO	[SEAL]
NARCISO GARAY	[SEAL]

EXCHANGES OF NOTES

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA
Washington, March 2, 1936

SIR:

In connection with the treaty signed today and the exchange of notes accessory thereto we have the honor to confirm the understanding we have reached during the negotiations that wherever the provisions of the said treaty and the statements contained in the accessory notes refer to the Canal Zone, such provisions and statements are applicable to all such lands and waters as may be used, occupied or controlled by the United States of America.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

The Secretary of State to the Members of the Panamanian Treaty Commission

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

I have the honor to acknowledge the receipt of your note of today's date, reading as follows:

[For text, see above.]

In reply, I have the honor to confirm the understanding we have reached as set forth in your note under reference.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE

WASHINGTON

March 2, 1936

SIRS:

With reference to Section 1 of Article III of the treaty signed today, wherein are specified the classes of persons to whom goods imported into the Canal Zone, or purchased, produced or manufactured therein, may be sold by the Government of the United States of America, I have the honor to confirm the understanding reached in the course of the recent negotiations, namely, that for the purposes of said Section 1 of Article III, the term "Officers, employees, workmen or laborers in the service or employ of the United States of America" as it appears in Section 2 (a) of said Article III, is interpreted as referring exclusively to such persons whose services are related to the Panama Canal, the Panama Railroad Company or their auxiliary works, and to duly accredited representatives of any branch of the Government of the United States of America exercising official duties within the Republic of Panama, including diplomatic and consular officers, and to members of their staffs.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA
Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's note reading as follows:

[For text, see above.]

In reply we have the honor to confirm the understanding set forth in Your Excellency's note under reference.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAYThe Honorable CORDELL HULL,
Secretary of State,
*Washington, D.C.**Members of the Panamanian Treaty Commission to the Secretary of State*

[TRANSLATION]

LEGATION OF PANAMA
Washington, March 2, 1936

SIR:

In connection with that part of Article III of the treaty signed today in which the persons are specified who are entitled to reside within the Canal Zone, we have the honor to state in the name of our Government that in view of the residence in the Canal Zone of the officers, employees and laborers of the United States of America, members of the forces of the Army and Navy, and members of the families of all those persons, our Government would have no objection to the residence therein of the following persons also: settlers engaged in the cultivation of truck gardens to furnish vegetables to the residents of the Canal Zone; hucksters engaged in the sale of such vegetables; proprietors of small establishments for the supply of such settlers and hucksters, and members of the families of all these persons.

It is also understood that the settlers engaged in the cultivation of small tracts under agricultural licenses issued by the Panama Canal will continue to reside in the Canal Zone, subject to the conditions, as stated by the representatives of the Government of the United States of America during the negotiations in regard to the settlers, to wit: that at present about 1,568 agricultural licenses in the Canal Zone are outstanding; that all of these licenses except a few, such as those for Chinese gardens, are being terminated by natural processes, that is, as the licensees abandon the ground,

die, or fail to live up to the terms of the licenses; that it is the policy of the Panama Canal not to permit the license to be transferred to dependents when the licensee dies, except only in exceptional cases where real hardship would otherwise result; and that it is also the policy of the Panama Canal to issue no new licenses, except an inconsequential number regarded as necessary to the Canal Zone, such as for Chinese gardens.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

I have the honor to acknowledge the receipt of your note of today's date, reading as follows:

[For text, see above.]

In reply I have the honor to confirm the understanding reached on the foregoing points as set forth in your note under reference.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO
The Honorable Doctor NARCISO GARAY
Members of the Panamanian Treaty Commission,
Washington, D.C.

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA
Washington, March 2, 1936

SIR:

In connection with the part of Article III of the treaty signed today, in which the persons are specified who have a right to reside in the Canal Zone,

we have the honor to state in the name of our Government that the restrictions established in the matter of residence in no wise affect the guests of hotels which the Panama Canal or the Panama Railroad Company maintains and manages for account of the Government of the United States of America in the Canal Zone, as such guests in entering such hotels do not go to the Zone as residents but as transients and the object of their stay in the Canal Zone for an indeterminate period is not to establish a permanent domicile there.

It is also understood that the restrictions do not apply to persons who wish to establish a permanent residence in any hotel in the Canal Zone either, provided such persons are among the number of those who have a right to reside in the Zone, in accordance with Section 2 of Article III of the treaty to which we have referred.

We wish to express our great pleasure at the statement made by the representatives of the Government of the United States of America during the negotiation of the treaty, that it is not the intention or desire of the Government of the United States of America to compete with Panamanian industry. We are also pleased to know with respect to the hotels in the Canal Zone that they were established for the purpose of meeting the necessities of the passenger traffic at a time when the hotels established in Panama were not entirely in position to do so; that as soon as this situation is satisfactorily altered the hotel business proper will be left in the hands of the industry established in Panama, and that the prosperity of the Republic of Panama in this, as in other respects, is earnestly desired by the United States of America.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

I have the honor to acknowledge the receipt of your note of today's date, reading as follows:

[For text, see above.]

In reply I have the honor to confirm the understanding reached on the foregoing points as set forth in your note under reference.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

With reference to Section 1 of Article III of the treaty signed today whereby servants of the persons included in classes (a) to (e) inclusive of Section 2 are excluded from purchasing goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America, we have the honor to express the understanding of the Government of the Republic of Panama that such exclusion does not prevent the persons specified in the aforesaid Section 1 of Article III from purchasing provisions, medicines and clothing for use or consumption by their servants who are living with them, such servants being regarded as forming part of the families of such persons, in a broad acceptation of that word.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
*Secretary of State,
Washington, D.C.*

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE

WASHINGTON

March 2, 1936

SIRS:

I have the honor to acknowledge the receipt of your note of today's date, reading as follows:

[For text, see above.]

In reply I have the honor to confirm the understanding reached on the foregoing point as set forth in your note under reference.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE

WASHINGTON

March 2, 1936

SIRS:

With reference to Article III of the treaty signed today, I have the honor to state that the Government of the United States of America has no desire to conduct a bonded warehouse business in the Canal Zone, or, in fact to continue the "hold for orders" business in the terminal ports of the Canal as now conducted by the Panama Canal, any longer than until such time as satisfactory bonded warehouse facilities may become available at reasonable rates in Panamanian jurisdiction. At such time, the Government of the United States of America, in order to assist Panamanian business, will be glad voluntarily to withdraw from the conduct of "hold for orders" business and to abstain therefrom for so long as satisfactory bonded warehouse facilities may continue to be available at reasonable rates in Panamanian jurisdiction.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's note of today's date, reading as follows:

[For text, see above.]

In reply we have the honor to state that the Government of the Republic of Panama has noted with gratification the assurances contained in Your Excellency's note under reference.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

With reference to Article III of the treaty signed today and to the joint statement issued by President Arias and President Roosevelt on October 17, 1933,^{*} I have the honor to advise you that the Canal Zone authorities will continue to take administrative measures to limit the use and services of hospitals, dispensaries, restaurants, lunch-rooms, messes, clubhouses and moving picture houses maintained and operated in the Canal Zone to residents of the Canal Zone and to the following persons who may not be residents of the Canal Zone and members of their families actually living with them: officers and employees of the Government of the United States of America, the Panama Canal or the Panama Railroad Company and members of the armed forces of the United States of America. As regards laundries and cleaning and pressing establishments so maintained and operated, similar restrictions will be made, and moreover such service of laundries and cleaning and pressing establishments will not be available for ships and their crews and passengers transiting the Canal so long as satisfactory service is furnished by similar establishments in Panama.

It is understood that these measures will not preclude admission to and services of the hospitals and dispensaries of the United States of America in cases of emergencies occurring within the Canal Zone, and that those facilities will likewise be available for officers and members of the crews of ships arriving at the Canal Zone ports; and that these measures will not preclude admission to the restaurants, lunch-rooms, messes, clubhouses and moving

^{*} For text, see 1933 For. Rel. (V) 866.

picture houses of guests of the persons entitled to use these establishments when the admission or consumption expenses are paid by those persons.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's note of today's date, reading as follows:

[For text, see above.]

In reply we have the honor to confirm the understanding reached on the foregoing points as set forth in Your Excellency's note under reference.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO

NARCISO GARAY

The Honorable CORDELL HULL,

Secretary of State,

Washington, D.C.

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE

WASHINGTON

March 2, 1936

SIRS:

With reference to Section 4 of Article III of the treaty signed today wherein it is stated that the Government of the United States of America will continue to cooperate in all proper ways with the Republic of Panama to prevent smuggling into territory under the jurisdiction of the Republic of goods imported into the Canal Zone or purchased, produced or manufactured therein by the Government of the United States of America, I have the honor to state that the Governor of the Panama Canal will be prepared to appoint a representative to meet with a representative appointed by your

Government in order that regular and continuing opportunity may be afforded for mutual conference and helpful exchange of views bearing on this question.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's note of today's date, reading as follows:

[For text, see above.]

In reply we have the honor to express the agreement of the Government of the Republic of Panama with the procedure outlined in Your Excellency's note under reference.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO

NARCISO GARAY

The Honorable CORDELL HULL,

Secretary of State,

Washington, D.C.

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE

WASHINGTON

March 2, 1936

SIRS:

With reference to Section 5 of Article III of the treaty signed today regulating the establishment in the Canal Zone of private business enterprises, I have the honor to express the understanding of the Government of the

United States of America that the provisions of this section shall not prevent the establishment in the Canal Zone of private enterprises temporarily engaged in construction work having a direct relation to the operation, maintenance, sanitation or protection of the Canal.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO
The Honorable Doctor NARCISO GARAY
*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA
Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's note of today's date, reading as follows:

[For text, see above.]

In reply we have the honor to confirm the understanding set forth in Your Excellency's note under reference.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
*Secretary of State,
Washington, D.C.*

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

With reference to the question of the sale to ships of goods imported into the Canal Zone by the Government of the United States of America, I have

the honor to advise you that it will be the policy of this Government to effect such sales on the following basis:

Articles classed by the Panama Canal as "ships stores", such as articles, materials and supplies necessary for the navigation, propulsion and upkeep of vessels, will continue to be sold as at present;

Articles classed by the Panama Canal as tourist or luxury goods will not be sold to ships;

Articles classed by the Panama Canal as "sea stores", such as articles for the use or consumption of the passengers and crew of the ship upon its voyage, and articles of other classes, will be sold at prices which, in the judgment of the Government of the United States of America and insofar as may appear feasible, will afford merchants of Panama fair opportunity to sell on equal terms. To arrive at the prices at which these articles will be sold to ships the retail prices of such articles to Canal Zone employees will be taken as a base, and a surcharge added thereto, when necessary; and no discount for purchases of large quantities will be granted to ships making such purchases.

For your information I am enclosing herewith four lists illustrative but not in any sense exhaustive of the various articles included in the four classes mentioned above, namely: (1) ships stores; (2) tourist or luxury goods; (3) sea stores; and, (4) articles of other classes.

It is the hope of the Government of the United States of America that in benefit of Panamanian commerce merchants of Panama may be able to furnish in satisfactory quantities and qualities and at reasonable prices many or all of the articles classed as "sea stores" and as "articles of other classes" purchased by ships arriving at terminal ports of the Canal or transiting the Canal. It will be the policy of the United States of America that whenever and for so long as merchants of Panama are in fact able to furnish certain articles as so described in satisfactory quantities and qualities and at reasonable prices, the Canal Zone commissaries will refrain from selling like articles to ships.

In accordance with the policy of affording merchants of Panama full opportunity for making sales to ships, the launch facilities now employed by the Government of the United States of America in effecting sales to ships will be made available on equal terms to merchants of Panama, subject to appropriate administrative regulations of the Canal Zone.

The Governor of the Panama Canal will be prepared to appoint a representative to meet with a representative of Panamanian commerce appointed by your Government, in order that regular and continuing opportunity may be afforded for mutual conference and helpful exchange of views bearing on these questions, including the amount of the surcharge to be established,

when necessary, in connection with "sea stores" and "articles of other classes".

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

[ENCLOSURES]

SHIPS STORES

Fuel
Oil and grease
Hardware (bolts, nuts, nails, tools, et cetera)
Paints
Disinfectants and insecticides
Rope, cable, chain

TOURIST OR LUXURY GOODS

Articles of personal adornment
Women's and children's fancy and foreign wearing apparel
Perfumes and expensive lotions and fancy and foreign toilet articles
Foreign high quality linens, table ware and house furnishing articles
Expensive and foreign bolt goods
Men's foreign articles and wearing apparel
Panama hats
Liquors, wines, and beer

SEA STORES

Goods only of standard quality and almost without exception of American source
Food supplies
Medical supplies
Stationery and stationery supplies
Galley and table utensils and equipment
Table and bunk linen
Mosquito bars, canvas, cheese cloth
Work clothes
Cleaning materials and equipment

ARTICLES OF OTHER CLASSES

Goods similar to those listed under sea stores, but of better than standard quality
Many articles of many classes, such as those sold in department stores, excepting those articles classed under "tourist or luxury goods".

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's kind communication, in which you indicate what will be the policy of the United

States of America in regard to the sale to ships of articles imported by the United States into the Canal Zone.

With regard to this matter the Government of the Republic of Panama must make a special reservation of its rights, in conformity with its opinion that the exemptions covered by Article XIII of the Convention of November 18, 1903, were stipulated exclusively for the benefit of the Canal enterprise, of the persons in the service of the United States of America in connection therewith, and of their families; but until an understanding is reached regarding this matter, the Panamanian Government desires to express its deep satisfaction at the decision of the Government of the United States of America to put into effect measures such as those set forth in the note to which this is a reply, for the purpose of restricting sales to ships, which in former times had been made without any limitation. The Panamanian Government feels an equal satisfaction at the basic purpose set forth in the said note that the business of provisioning vessels arriving at terminal ports of the Canal or transiting the Canal will be left in the hands of the merchants of Panama and that the Government of the United States of America will abstain from making such sales whenever and for so long as merchants of Panama effectively demonstrate their ability to supply merchandise to vessels in satisfactory quantities and qualities and at reasonable prices.

Our Government is prepared to appoint a representative selected by the business men of Panama to come to meet with a representative of the Canal Administration, in order that regular and continuing opportunity may be afforded for conference and cooperation for the accomplishment of the above-mentioned purposes.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA
Washington, March 2, 1936

SIR:

With reference to the second paragraph of Article V of the treaty signed today which pertains, in part, to facilities established or to be established

in the ports of Panamá and Colón by the Republic of Panama or by its authority, we have the honor to confirm the agreement reached during the negotiations that such provisions are not intended to prejudice the right of the Panama Railroad Company, derived from its concessions, to own and operate port facilities in those ports or any such rights as may pass from the said Company to the Government of the United States of America.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

The Secretary of State to the Members of the Panamanian Treaty Commission

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

I have the honor to acknowledge the receipt of your note of today's date, reading as follows:

[For text, see above.]

In reply I have the honor to confirm the agreement we have reached as set forth in your note under acknowledgement.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO
The Honorable Doctor NARCISO GARAY
Members of the Panamanian Treaty Commission,
Washington, D.C.

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA
Washington, March 2, 1936

SIR:

With reference to the third paragraph of Article V of the treaty signed today in which is recognized the right of the Republic of Panama to determine what persons or classes of persons arriving at ports of the Canal Zone

shall be admitted to the Republic of Panama and to determine likewise what persons or classes of persons arriving at such ports shall be excluded from admission to the Republic of Panama, we have the honor to express the understanding of the Government of the Republic of Panama that this provision does not prejudice in any way the effect of the stipulation contained in the third paragraph of Article IV, with regard to persons in the service of the United States of America or residing in the Canal Zone, passing from the Canal Zone into the jurisdiction of the Republic of Panama.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

The Secretary of State to the Members of the Panamanian Treaty Commission

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

I have the honor to acknowledge the receipt of your note of today's date, reading as follows:

[For text, see above.]

In reply I have the honor to confirm the understanding reached on the foregoing point as set forth in your note under reference.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO
The Honorable Doctor NARCISO GARAY
Members of the Panamanian Treaty Commission,
Washington, D.C.

The Secretary of State to the Members of the Panamanian Treaty Commission

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

I have the honor to confirm my understanding of the agreement reached during the negotiation of the treaty signed today to the effect that, in fur-

therance of the purpose of Article VII of the Convention of November 18, 1903, so far as it relates to the sanitation of the cities of Panamá and Colón, the Health Services of the Republic of Panama and of the Panama Canal will give consideration to the advisability of discussing and concluding agreements which might well take as a basis for formulation the proposals advanced in October 1931, by the Director General of Health and Welfare of the Republic of Panama and the Chief Health Officer of the Panama Canal for the amplification, extension and modernization of the health service of the City of Panamá.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's note of today's date, reading as follows:

[For text, see above.]

In reply we have the honor to state that Your Excellency's understanding of the foregoing agreement is in conformity with the understanding of the Government of the Republic of Panama.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO

NARCISO GARAY

The Honorable CORDELL HULL

*Secretary of State,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

In the course of the recent negotiations for a revision of the Convention of November 18, 1903, we have brought to the attention of your Government

certain questions which have arisen in respect of that part of Article VII of the said Convention which refers to the construction by the United States of America of the water works and sewers in the cities of Panamá and Colón, and to the amortization of the cost thereof within a period of fifty years, thinking at first that these matters could be disposed of during the negotiations.

It was found, however, that to reach a complete understanding of these matters a long, painstaking and exhaustive examination of the technical, legal and financial aspects thereof would be required, and it was therefore decided that formal discussion of these questions would be held in abeyance and that after the conclusion of the new treaty the two Governments would engage in friendly discussions in an endeavor to arrive at a fair and mutually satisfactory agreement.

It is the understanding of our Government that such discussions will involve a study of the contracts of September 30, 1910, between the Government of the Republic of Panama and the Isthmian Canal Commission, and an examination of the accounts between the two administrations relating to water rates in the cities of Panamá and Colón. In this connection it is believed that due consideration should be given, among other things, to the representations made by the Panamanian Commission in the course of the recent negotiations, and especially to its memorandum of March 12, 1935, and its Aide-Memoire of August 14, 1935.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO
NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE
WASHINGTON
March 2, 1936

SIRS:

I have the honor to acknowledge the receipt of your note of today's date, reading as follows:

[For text, see above.]

In reply I have the honor to advise you that the Government of the United States of America, in accordance with the procedure outlined in your note under reference, will be pleased to instruct the American Minister in Panama to arrange for conversations between the appropriate authorities of the Re-

public of Panama and of the Canal Zone in order that the Government of the Republic of Panama may present such specific proposals in the premises as it may desire, and in order that an opportunity may thus be afforded for reaching an agreement on these matters satisfactory to both Governments.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

*The Secretary of State to the Members of the Panamanian Treaty
Commission*

DEPARTMENT OF STATE

WASHINGTON

March 2, 1936

SIRS:

With reference to the representations made by you during the negotiations of the treaty signed today, regarding Panamanian citizens employed by the Panama Canal or by the Panama Railroad Company, I have the honor to state that the Government of the United States of America, in recognition of the special relationship between the United States of America and the Republic of Panama with respect to the Panama Canal and the Panama Railroad Company, maintains and will maintain as its public policy the principle of equality of opportunity and treatment set down in the Order of December 23, 1908, of the Secretary of War, and in the Executive Orders of February 2, 1914, and February 20, 1920, and will favor the maintenance, enforcement or enactment of such provisions, consistent with the efficient operation and maintenance of the Canal and its auxiliary works and their effective protection and sanitation, as will assure to Panamanian citizens employed by the Canal or the Railroad equality of treatment with employees who are citizens of the United States of America.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's note of today's date, reading as follows:

[For text, see above.]

In reply we have the honor to express the gratification of the Government of the Republic of Panama at the declaration of policy set forth in Your Excellency's note under reference.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO

NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

The Secretary of State to the Members of the Panamanian Treaty Commission

DEPARTMENT OF STATE

WASHINGTON

March 2, 1936

SIRS:

I have the honor to refer to our conversations with respect to the effect upon the Monetary Agreement of June 20, 1904,⁷ between the United States of America and the Republic of Panama as modified by the exchanges of notes of March 26–April 2, 1930,⁸ and of May 28–June 6, 1931,⁹ of the action taken by the President of the United States of America in his Proclamation of January 31, 1934,¹⁰ reducing the weight of the gold dollar of the United States of America.

It has been recognized that, as a result of this action, the provision of the Monetary Agreement that the monetary unit of the Republic of Panama should be a gold Balboa of the weight of one gram, 672 milligrams, nine-tenths fine, is no longer consistent with the necessary condition of

⁷ *Ante*, p. 681.

⁸ *Ante*, p. 731.

⁹ *Ante*, p. 734.

¹⁰ 48 Stat. 1730.

the Agreement that the standard unit of value of the United States of America, the dollar, and the standard unit of value of the Republic of Panama, the Balboa, should continue at a parity at the rate of one dollar for one Balboa. It has also been recognized that in the Republic of Panama and in the Canal Zone silver Balboas and fractional currency of the Republic are circulating together with United States currency at the rate of one Balboa for one dollar.

For these reasons, it is desirable that the existing Monetary Agreement, as modified, be further modified to make provision for the reduction of the weight of the gold Balboa so that the legal standard units of value of the Republic of Panama and of the United States of America shall be equal. Accordingly, for the purpose of Article VII of the General Treaty signed today, the Balboa shall be regarded as defined to consist of 987½ milligrams of gold of 0.900 fineness.

It is understood that the reduction in the weight of the gold Balboa shall not necessitate an alteration of the weight of the silver coins of the Republic of Panama, but that these shall continue to be of the same size, weight and fineness as at present.

Notwithstanding any language contained in the existing Monetary Agreement, as modified, which has been interpreted or might be interpreted as limiting the number of coins of any denomination to be issued by the Republic of Panama within the total amount of coins of all denominations, it is now understood and agreed that the Monetary Agreement, as modified, shall not be considered as contemplating any such limitation, so that, as long as such total amount is not exceeded, that total amount may be apportioned among the coins of the various denominations referred to in the Agreement as may seem fitting to the Government of the Republic of Panama.

As a further modification of the existing Monetary Agreement, it is agreed that the Government of the United States of America shall not be required to accept Panamanian silver currency for the payment of tolls for the use of the Panama Canal.

I may say that the above understandings and agreements are acceptable to my Government, and that upon receipt of a note confirming them on behalf of the Government of the Republic of Panama, the Government of the United States of America will consider as further modified in accordance therewith the Monetary Agreement of June 20, 1904, as modified.

Accept, Sirs, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable Doctor RICARDO J. ALFARO

The Honorable Doctor NARCISO GARAY

*Members of the Panamanian Treaty Commission,
Washington, D.C.*

Members of the Panamanian Treaty Commission to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

Washington, March 2, 1936

SIR:

We have the honor to acknowledge the receipt of Your Excellency's communication reading as follows:

[For text, see above.]

The understanding and agreements stated in your note under acknowledgment are hereby confirmed by our Government and, accordingly, the Government of the Republic of Panama will consider as further modified in accordance therewith the Monetary Agreement of June 20, 1904, as modified.

Accept, Sir, the renewed assurances of our highest consideration.

R. J. ALFARO

NARCISO GARAY

The Honorable CORDELL HULL,
Secretary of State,
Washington, D.C.

The Secretary of State to the Panamanian Minister

DEPARTMENT OF STATE

WASHINGTON

February 1, 1939

SIR:

I have the honor to refer to the General Treaty signed between the United States of America and the Republic of Panama on March 2, 1936 and to the record of the proceedings of the negotiations leading to this accord. As you may recall, on several occasions during the course of the negotiations, it was found necessary to discuss and to reach a mutual understanding as to the interpretation to be placed upon certain draft provisions eventually incorporated in the signed treaty. These discussions and understandings were, after each meeting, embodied in the duly attested typewritten record of the proceedings of the treaty negotiations.

It seems possible that, following the favorable report at the close of the last session of Congress by the Committee on Foreign Relations of the United States Senate on the General Treaty and accompanying Conventions, the individual members of the Senate in their consideration during the current session of Congress of the Treaty and Conventions, may ask for clarification

as to the precise meaning of certain important provisions of the General Treaty which affect the security and neutrality of the Panama Canal. With a view to anticipating these inquiries, and in the hope of avoiding further delay on this account in the consideration of the General Treaty of March 2, 1936, it has seemed to my Government advisable to set forth in an exchange of notes between our two Governments the substance of some of these above-mentioned understandings as mutually reached. I should be grateful, accordingly, if you would inform me whether your Government shares the understanding of my Government upon the points which follow in subsequent paragraphs.

1. In connection with the declared willingness of both the Government of the United States of America and the Government of the Republic of Panama to cooperate for the purpose of insuring the full and perpetual enjoyment of the benefits of all kinds which the Canal should afford them (Article I of the General Treaty of March 2, 1936) the word "maintenance" as applied to the Canal shall be construed as permitting expansion and new construction when these are undertaken by the Government of the United States of America in accordance with the said Treaty.

2. The holding of maneuvers or exercises by the armed forces of the United States of America in territory adjacent to the Canal Zone is an essential measure of preparedness for the protection of the neutrality of the Panama Canal, and when said maneuvers or exercises should take place, the parties shall follow the procedures set forth in the records of the proceedings of the negotiations of the General Treaty of March 2, 1936, which proceedings were held on March 2, 1936.

3. As set forth in the records of the proceedings of the negotiations of the General Treaty of March 2, 1936, which proceedings were held on March 16, 1935, in the event of an emergency so sudden as to make action of a preventive character imperative to safeguard the neutrality or security of the Panama Canal, and if by reason of such emergency it would be impossible to consult with the Government of Panama as provided in Article X of said Treaty, the Government of the United States of America need not delay action to meet this emergency pending consultation, although it will make every effort in the event that such consultation has not been effected prior to taking action to consult as soon as it may be possible with the Panamanian Government.

Accept, Sir, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable

Señor Dr. Don AUGUSTO S. BOYD,
Minister of Panama.

The Panamanian Minister to the Secretary of State

[TRANSLATION]

LEGATION OF PANAMA

WASHINGTON

MR. SECRETARY:

I have the honor to refer to Your Excellency's valued communication of today's date with respect to the General Treaty signed between the Governments of the Republic of Panama and of the United States of America March 2, 1936 and to the proceedings of the meetings held by the Commissioners of Panama and of the United States of America during the negotiations which preceded the signature of the said Treaty. Your Excellency invites my attention to the fact that during the course of the negotiations and after discussion a mutual agreement was reached with regard to the interpretation to be given to certain provisions which eventually were incorporated in the Treaty. Your Excellency states that these discussions and understandings were, after each meeting, embodied in the typewritten records of the proceedings.

You then give as your opinion that in view of the favorable report presented at the close of the last session of Congress by the Committee on Foreign Relations of the Senate of the United States of America on the General Treaty and the various accompanying Conventions, some members of the Senate, during the debates with respect to the General Treaty and the Conventions in the present session of Congress, may ask for clarification as to the meaning of certain provisions of the General Treaty affecting the security and neutrality of the Panama Canal. With a view to anticipating such an eventuality, and of avoiding new delays in the consideration of the General Treaty of March 2, 1936, Your Excellency states that it seems advisable to your Government to effect an exchange of notes with my Government for the purpose of reiterating the interpretation given to certain points in the proceedings.

I take pleasure in informing Your Excellency that I have been authorized by my Government to effect this exchange of notes and to clarify the points propounded by Your Excellency, and which, for greater clarity, are set forth in the English language as follows:

[For text, see numbered paragraphs, above.]

I avail myself of this occasion to renew to Your Excellency the assurances of my most distinguished consideration.

AUGUSTO S. BOYD

Minister

WASHINGTON, D.C.

February 1, 1939.

His Excellency CORDELL HULL

*Secretary of State of the United States**Washington, D.C.*

The Secretary of State to the Panamanian Ambassador

DEPARTMENT OF STATE

WASHINGTON

July 25, 1939

EXCELLENCY:

I understand from the debate in the Senate of the United States yesterday on the treaties signed with Panama, March 2, 1936, that the question was raised as to whether the Assembly of Panama had the notes and minutes of the treaty negotiations before it at the time the treaties were considered and ratified by that body.

I shall thank you to advise me definitely as to whether the notes and minutes of the negotiations were before the Assembly of Panama and were thoroughly understood and considered by the Assembly in connection with its ratification of the aforesaid treaties.

Accept, Excellency, the renewed assurances of my highest consideration.

CORDELL HULL

His Excellency

Señor Dr. Don AUGUSTO S. BOYD,
Ambassador of Panama

The Panamanian Ambassador to the Secretary of State

EMBAJADA DE PANAMA

WASHINGTON

July 25, 1939

EXCELLENCY:

I am in receipt of Your Excellency's note of this date in which you state that you understand from the debate in the Senate of the United States yesterday on the Treaties with Panama signed March 2, 1936, that the question was raised whether the Assembly of Panama had the notes and minutes of the treaty negotiations before it at the time the treaties were considered and ratified by that body.

I think that the best answer I may give to Your Excellency is to transcribe textually, in translation, law No. 37 of 1936 which was passed by our Assembly on the twenty-fourth of December, 1936, and which reads as follows:

The National Assembly of Panama
Decrees

Only article: there are hereby approved and ratified in all their parts the General Treaty, the Radio Communications Conven-

tion,¹¹ the Convention on the Transfer of the stations of La Palma and Puerto Obaldía ¹¹ and the Convention on the Trans-Isthmian Highway, signed in the city of Washington, March 2, 1936,¹² by plenipotentiaries of the Governments of the Republic of Panama and of the United States of America, which is done taking into account the Minutes and the Exchanges of Notes signed on the same date and which contain interpretations and explanations of certain important aspects of the General Treaty and of the Conventions aforementioned.

From the law quoted above Your Excellency will observe that the minutes and the notes were before the Assembly and were considered and understood by it at the same time that the Assembly ratified the Treaty and Conventions above mentioned.

Accept, Excellency, the sentiments of my highest consideration.

AUGUSTO S. BOYD

His Excellency

CORDELL HULL,

Secretary of State.

¹¹ Not printed.

¹² TS 946, *post*, p. 778.